***Organizational Theory, Design, and Change, 7e* (Jones)**
Chapter 6   Designing Organizational Structure: Specialization and Coordination

1) A divisional structure is a design that groups people into separate functions or departments because they share common skills and expertise because they make use of the same resources.
Answer: FALSE
Page Ref: 148
Difficulty: Easy
LO: 6-1

2) Functional structure is the foundation of horizontal differentiation.
Answer: TRUE
Page Ref: 148
Difficulty: Easy
LO: 6-1

3) Functional structure provides people with the opportunity to learn from one another and become more specialized and productive.
Answer: TRUE
Page Ref: 150
Difficulty: Easy
LO: 6-1

4) As an organization with a functional structure grows, the cost of each function's contribution to the development of each product becomes increasingly simple to measure.
Answer: FALSE
Page Ref: 151
Difficulty: Easy
LO: 6-1

5) Servicing the needs of new kinds of customer groups and tailoring products to suit them are relatively simple in a functional structure.
Answer: FALSE
Page Ref: 151
Difficulty: Easy
LO: 6-1

6) The higher the level of differentiation, the more complex the integrating mechanisms that managers need to use to control organizational activities.
Answer: TRUE
Page Ref: 153
Difficulty: Easy
LO: 6-1

7) A functional structure groups functions according to the specific demands of products, markets, or customers.
Answer: FALSE
Page Ref: 154
Difficulty: Easy
LO: 6-2

8) In a product division structure, a centralized set of support functions services the needs of a number of different product lines.
Answer: TRUE
Page Ref: 154
Difficulty: Easy
LO: 6-2

9) The structure that organizations most commonly adopt to solve the control problems that result from producing many different kinds of products in many different locations for many different types of customers is the divisional structure.
Answer: TRUE
Page Ref: 154
Difficulty: Easy
LO: 6-2

10) The goal behind the change to a divisional structure is to create smaller, more manageable subunits within an organization.
Answer: TRUE
Page Ref: 154
Difficulty: Easy
LO: 6-2

11) As an organization increases the kinds of goods it manufactures or the services it provides, a functional structure becomes more effective at coordinating task activities.
Answer: FALSE
Page Ref: 154
Difficulty: Easy
LO: 6-2

12) A functional structure has greater vertical and horizontal differentiation than a divisional structure and employs more complex integrating mechanisms.
Answer: FALSE
Page Ref: 154
Difficulty: Moderate
LO: 6-2

13) A product structure is a type of a functional structure.
Answer: FALSE
Page Ref: 154
Difficulty: Easy
LO: 6-2

14) In a multidivisional structure, each division is independent and self-contained.
Answer: TRUE
Page Ref: 157
Difficulty: Easy
LO: 6-2

15) A multidivisional structure is characterized by a corporate headquarters staff which is composed of corporate managers who are responsible for overseeing the activities of the divisional managers heading up the different divisions.
Answer: TRUE
Page Ref: 157
Difficulty: Easy
LO: 6-2

16) Most Fortune 500 companies use a functional structure because it allows them to grow and expand their operations while maintaining control over their activities.
Answer: FALSE
Page Ref: 157
Difficulty: Easy
LO: 6-2

17) In a multidivisional structure, corporate headquarters can identify the divisions in which an investment of capital will yield the highest returns.
Answer: TRUE
Page Ref: 160
Difficulty: Easy
LO: 6-2

18) Use of multidivisional structure avoids duplication of organizational activities.
Answer: FALSE
Page Ref: 161
Difficulty: Moderate
LO: 6-2

19) Multidivisional structures tend to be the tallest of all organizational structures.
Answer: TRUE
Page Ref: 161
Difficulty: Easy
LO: 6-2

20) The more centralized an organization, the more of a problem communication will be.
Answer: TRUE
Page Ref: 161
Difficulty: Easy
LO: 6-2

21) A product team structure is more decentralized than a functional structure.
Answer: TRUE
Page Ref: 162
Difficulty: Easy
LO: 6-2

22) A product division structure is more decentralized than a product team structure.
Answer: FALSE
Page Ref: 162
Difficulty: Easy
LO: 6-2

23) A product team structure is a divisional structure in which divisions are organized according to the requirements of the different locations in which an organization operates.
Answer: FALSE
Page Ref: 162
Difficulty: Easy
LO: 6-2

24) Employee roles are clearly defined in a matrix structure.
Answer: FALSE
Page Ref: 166
Difficulty: Easy
LO: 6-3

25) One problem with the matrix structure is that employees must report to two different superiors.
Answer: TRUE
Page Ref: 166
Difficulty: Easy
LO: 6-3

26) Matrix structures are a principal form of organic structure.
Answer: TRUE
Page Ref: 167
Difficulty: Easy
LO: 6-3

27) A network structure is a cluster of different organizations whose actions are coordinated by contracts and agreements, rather than by a formal hierarchy of authority.
Answer: TRUE
Page Ref: 171
Difficulty: Easy
LO: 6-4

28) A network structure increases the cost of production.
Answer: FALSE
Page Ref: 171
Difficulty: Easy
LO: 6-4

29) In general, the more complex the value-creation activities necessary to produce and market goods and services, the more problems are associated with using a network structure.
Answer: TRUE
Page Ref: 172
Difficulty: Easy
LO: 6-4

30) A ________ structure is a design that groups people together on the basis of their common expertise and experience or because they use the same resources.
A) team
B) functional
C) divisional
D) product
Answer: B
Page Ref: 148
Difficulty: Easy
LO: 6-1

31) As the Tasty Bites restaurant grew, the owners grouped people together on the basis of their common skills and expertise. In this case, which of the following types of organizational structures is used by the restaurant?
A) matrix structure
B) product structure
C) functional structure
D) divisional structure
Answer: C
Page Ref: 148
Difficulty: Easy
LO: 6-1

32) Which of the following organizational structures is the foundation of horizontal differentiation?
A) functional structure
B) product structure
C) matrix structure
D) divisional structure
Answer: A
Page Ref: 148
Difficulty: Easy
LO: 6-1

33) Which of the following statements is true regarding a functional structure?
A) In a functional structure, it becomes easier for employees to supervise one another and control one another's behavior.
B) In the case of a functional structure, people are grouped together according to the specific demands of products, markets, or customers.
C) The use of the functional structure increases an organization's ability to quickly respond to the changing environment.
D) The functional structure can be used only in the decentralized organizations.
Answer: A
Page Ref: 150
Difficulty: Moderate
LO: 6-1

34) As an organization that uses a functional structure grows, ________.
A) the extent of division of labor decreases
B) the process of communication simplifies
C) the cost of each function's contribution to the development of each product becomes increasingly difficult to measure
D) the vertical differentiation within the organization decreases
Answer: C
Page Ref: 151
Difficulty: Moderate
LO: 6-1

35) Which of the following situations causes communication problems within an organization that uses functional structure?
A) the organization uses the system of management by objectives
B) the organization operates in a stable environment
C) the organization operates in a rich environment
D) the organization develops more functions that are increasingly distant from one another
Answer: D
Page Ref: 151
Difficulty: Moderate
LO: 6-1

36) In which of the following situation, servicing the needs of new kinds of customer groups and tailoring products to suit them are is most likely to be relatively difficult?
A) the organization operates in a rich environment
B) the organization uses functional structure
C) the organization has a monopoly in its respective business
D) the organization uses matrix structure
Answer: B
Page Ref: 151
Difficulty: Moderate
LO: 6-1

37) When ________, the cost of each function's contribution to the development of each product becomes increasingly difficult to measure.
A) an organization with a divisional structure uses the system of management by objectives
B) an organization with a functional structure grows and the number and complexity of their functions and products increases
C) an organization with a matrix structure operates in a stable environment
D) an organization with a divisional structure operates in a rich but complex environment
Answer: B
Page Ref: 151
Difficulty: Moderate
LO: 6-1

38) Which of the following will allow managers to regain control of their organizations when they decide to adopt a more complex structure?
A) decreasing vertical differentiation
B) increasing horizontal differentiation
C) decreasing integration
D) increasing formalization
Answer: B
Page Ref: 153
Difficulty: Moderate
LO: 6-1

39) The ________, the more complex the integrating mechanisms that managers need to use to control organizational activities.
A) fewer the number of levels in the hierarchy of the organization
B) higher the level of environmental richness
C) higher the level of differentiation
D) fewer the number and type of the products manufactured by the company
Answer: C
Page Ref: 153
Difficulty: Moderate
LO: 6-1

40) Which of the following ways can be used by a manager to increase vertical differentiation?
A) increase the number of levels in the hierarchy
B) increase the richness of the environment
C) diversify the business
D) manufacture products at several different locations
Answer: A
Page Ref: 153
Difficulty: Moderate
LO: 6-1

41) A(n) ________ structure has functions grouped together according to the specific demands of products, markets, or customers.
A) divisional
B) concurrent
C) functional
D) differentiated
Answer: A
Page Ref: 154
Difficulty: Easy
LO: 6-2

42) A food manufacturer is experiencing coordination problems between its frozen food division and its canned food division. The main control problem is that each product requires an entirely separate system for ordering supplies, packaging the product, and storing the product upon completion. Which structure would help solve these coordination problems?
A) product division structure
B) market structure
C) multidivisional structure
D) geographic divisional structure
Answer: A
Page Ref: 154
Difficulty: Easy
LO: 6-2

43) Which of the following statements is true regarding a divisional structure?
A) The goal behind the change to a divisional structure from a functional structure is to create larger subunits within an organization.
B) As compared to functional structure, divisional structure has lower levels of vertical differentiation.
C) A divisional structure employs more complex integrating mechanisms than a functional structure.
D) As compared to functional structure, divisional structure has lower levels of horizontal differentiation.
Answer: C
Page Ref: 154
Difficulty: Moderate
LO: 6-2

44) A ________ structure is commonly used by food processors, furniture makers, and companies that make personal care products, paper products, or other products that are broadly similar and use the same set of support functions.
A) product division
B) market
C) multidivisional
D) product team
Answer: A
Page Ref: 154
Difficulty: Easy
LO: 6-2

45) A regional company markets ice cream, milk, and frozen yogurt. A ________ structure is the most appropriate structure for this firm.
A) product division
B) multidivisional
C) product team
D) market
Answer: A
Page Ref: 154
Difficulty: Moderate
LO: 6-2

46) Which of the following is a divisional structure in which a centralized set of support functions services the needs of a number of different product lines?
A) product team structure
B) multidivisional structure
C) product division structure
D) market structure
Answer: C
Page Ref: 154
Difficulty: Easy
LO: 6-2

47) Which of the following structures is most likely to be selected by an organization whose products are very complex technologically or whose characteristics change rapidly to suit changing customer needs?
A) multidivisional structure
B) functional structure
C) product team structure
D) geographic divisional structure
Answer: C
Page Ref: 154
Difficulty: Easy
LO: 6-2

48) Which of the following types of organizational structures is the most suitable for an organization whose products are very different and which operates in several different markets or industries?
A) functional structure
B) multidivisional structure
C) market structure
D) product divisional structure
Answer: B
Page Ref: 154
Difficulty: Easy
LO: 6-2

49) Because controlling the production of many different foods within the same manufacturing unit proved to be difficult and resulted in increasing costs, a packaged food manufacturer created separate product divisions that make frozen vegetables, frozen entrees, canned soups, and baked goods. This design decision will ________ within the organization.
A) decrease horizontal differentiation
B) increase vertical differentiation
C) increase horizontal differentiation
D) decrease vertical differentiation
Answer: C
Page Ref: 155
Difficulty: Easy
LO: 6-2

50) Under which of the following situations are managers most likely to use functional structure?
A) The organization produces a large number of different products.
B) The organization can easily measure the cost of each function's contribution to the development of each product.
C) The organization produces products in several different geographic locations.
D) The organization sells its products to only one major type of customer.
Answer: D
Page Ref: 155
Difficulty: Moderate
LO: 6-1

51) Which of the following statements is true regarding a product division structure?
A) In a product division structure, each division is independent and self-contained.
B) Use of product division structure leads to duplication of organizational activities.
C) Typically, a product division structure is used by an organization which produces a wide variety of complex products.
D) In a product division structure, support functions are centralized at the top of the organization.
Answer: D
Page Ref: 155
Difficulty: Moderate
LO: 6-2

52) A ________ structure is a structure in which support functions are placed in self-contained divisions.
A) market
B) product division
C) multidivisional
D) functional
Answer: C
Page Ref: 156
Difficulty: Easy
LO: 6-2

53) A corporate headquarters staff is created in a ________ structure.
A) product division
B) multidivisional
C) product team
D) matrix
Answer: B
Page Ref: 156
Difficulty: Easy
LO: 6-2

54) Which of the following is a difference between the product division structure and the multidivisional structure?
A) Horizontal differentiation is increased in the multidivisional structure, but not in the product division structure.
B) Vertical differentiation is increased in the product division structure, but not in the multidivisional structure.
C) Support functions are centralized at the top of the organization in a multidivisional structure, but decentralized to the divisions in a product division structure.
D) Divisions are independent in a multidivisional structure, but not in a product division structure.
Answer: D
Page Ref: 157
Difficulty: Moderate
LO: 6-2

55) Most Fortune 500 companies use a ________ structure because it allows them to grow and expand their operations while maintaining control over their activities.
A) functional
B) product divisional
C) multidivisional
D) market
Answer: C
Page Ref: 157
Difficulty: Easy
LO: 6-2

56) Which of the following statements is true regarding a multidivisional structure?
A) A multidivisional structure is the least suitable for an organization which produces a wide range of complex products.
B) A multidivisional structure decreases division of labor which ultimately decreases organizational effectiveness.
C) As an organization moves from functional to multidivisional structure, the level of vertical differentiation increases.
D) A multidivisional structure avoids duplication of organizational activities.
Answer: C
Page Ref: 157
Difficulty: Hard
LO: 6-2

57) As compared to other organizational structures, an advantage of a multidivisional structure is that ________.
A) it is the least expensive to operate
B) the division of labor increases organizational effectiveness
C) the duplication of organizational activities is avoided
D) the communication problems are least likely to occur in a multidivisional structure
Answer: B
Page Ref: 160
Difficulty: Moderate
LO: 6-2

58) Which of the following is a disadvantage of a multidivisional structure?
A) A multidivisional structure decreases division of labor which ultimately decreases organizational effectiveness.
B) It becomes difficult for corporate headquarters to identify the divisions in which an investment of capital will yield the highest returns.
C) A multidivisional structure is not suitable for an organization which produces a wide range of complex products.
D) Multidivisional structures are very expensive to operate.
Answer: D
Page Ref: 161
Difficulty: Moderate
LO: 6-2

59) ________ structures tend to be the tallest of all organizational structures.
A) Functional
B) Product division
C) Market
D) Multidivisional
Answer: D
Page Ref: 161
Difficulty: Easy
LO: 6-2

60) Which of the following types of organizational structures is most likely to use transfer pricing?
A) functional structure
B) product team structure
C) product division structure
D) multidivisional structure
Answer: D
Page Ref: 161
Difficulty: Easy
LO: 6-2

61) The price at which one division in an organization sells a product or information about innovations to another division in the same organization is called ________ price.
A) developmental
B) historic
C) aggregated
D) transfer
Answer: D
Page Ref: 161
Difficulty: Easy
LO: 6-2

62) Which of the following organizational structures has a disadvantage of extensive duplication of activities within the organization?
A) functional structure
B) product division structure
C) multidivisional structure
D) market structure
Answer: C
Page Ref: 161
Difficulty: Easy
LO: 6-2

63) A ________ structure is a cross between the product division structure and the multidivisional structure.
A) functional
B) transactional
C) product team
D) geographic divisional
Answer: C
Page Ref: 161
Difficulty: Easy
LO: 6-2

64) A ________ structure has specialists from support functions combined into product development groups that specialize in the needs of a particular kind of product.
A) product team
B) task force
C) transactional
D) functional
Answer: A
Page Ref: 162
Difficulty: Easy
LO: 6-2

65) Which of the following organizational structures is the most decentralized?
A) product division structure
B) functional structure
C) product team structure
D) transactional structure
Answer: C
Page Ref: 162
Difficulty: Easy
LO: 6-2

66) Artists and writers in Hallmark are organized around categories of greeting cards such as Mother's Day cards and Christmas cards. Which of the following types of organizational structures is being used by Hallmark?
A) geographic structure
B) functional structure
C) product team structure
D) transactional structure
Answer: C
Page Ref: 162
Difficulty: Easy
LO: 6-2

67) Which of the following statements is true regarding a product team structure?
A) Use of product team structure increases the product development time.
B) In a product team structure divisions are organized according to the requirements of the different locations in which an organization operates.
C) A product team structure is more decentralized than a functional structure.
D) Typically, a product team structure is used by an organization that operates in a stable environment where the requirements of the customers do not change quickly.
Answer: C
Page Ref: 162
Difficulty: Moderate
LO: 6-2

68) A ________ structure organizes divisions according to the requirements of the different locations in which an organization appears.
A) geographic divisional
B) product divisional
C) functional
D) multidivisional
Answer: A
Page Ref: 163
Difficulty: Easy
LO: 6-2

69) A geographic structure is most likely to be appropriate for which of the following companies?
A) a large manufacturer that wants to produce automobiles in Mexico and computers in Southeast Asia
B) an oil producer that sells gas, a commodity, in five different regions
C) a telecommunications company that makes technologically complex equipment
D) a retailer who specializes in clothing and operates in five different regions of the United States
Answer: D
Page Ref: 163
Difficulty: Moderate
LO: 6-2

70) Which of the following statements is most likely to be true regarding a geographic divisional structure?
A) A geographic structure allows some functions to be centralized at one headquarters location and others to be decentralized to a regional level.
B) A geographic divisional structure is a divisional structure in which specialists from the support functions are combined into product development teams that specialize in the needs of a particular kind of product.
C) An organization using a geographic divisional structure employs a transfer pricing mechanism to transfer its products from one geographic division to the other geographic division.
D) Organizations that use geographic divisional structure operate in rich and dynamic environment.
Answer: A
Page Ref: 163
Difficulty: Easy
LO: 6-2

71) Which of the following statements is true regarding a market structure?
A) A market structure is a type of a functional structure.
B) A market structure aligns functional skills and competences with the product needs of different customer groups.
C) Organizations using the market structure have the tallest hierarchies.
D) The market structure is the most suitable for a company that operates in a continuously changing environment and manufactures complex products.
Answer: B
Page Ref: 164
Difficulty: Moderate
LO: 6-2

72) A market structure organizes people according to ________.
A) the skills of the people
B) the types of customers they serve
C) the regional markets they serve
D) the functions they perform
Answer: B
Page Ref: 164
Difficulty: Easy
LO: 6-2

73) Which of the following is an organizational design that groups people and resources in two ways simultaneously: by function and by product?
A) product team structure
B) market structure
C) geographic structure
D) matrix structure
Answer: D
Page Ref: 166
Difficulty: Easy
LO: 6-3

74) Which of the following structures is most likely to be the flattest?
A) mechanistic structure
B) matrix structure
C) bureaucratic structure
D) transactional structure
Answer: B
Page Ref: 166
Difficulty: Easy
LO: 6-3

75) In a ________ structure, role and authority relationships are deliberately left vague because the underlying assumption of this structure is that when team members are given more responsibility than they have formal authority, they are forced to cooperate to get the job done.
A) functional
B) bureaucratic
C) matrix
D) product divisional
Answer: C
Page Ref: 166
Difficulty: Easy
LO: 6-3

76) Which of the following is a difference between the product team and the matrix structures?
A) Employees have two bosses in a product team structure and only one boss in a matrix structure.
B) A product team structure uses teams to coordinate activities but a matrix structure does not use teams.
C) Employees move between teams in a matrix structure but not in a product team structure.
D) A matrix structure has a taller hierarchy than a product team structure.
Answer: C
Page Ref: 167
Difficulty: Moderate
LO: 6-3

77) A matrix structure involves ________ vertical control from the formal hierarchy and ________ horizontal control from the use of integrating mechanisms.
A) minimal; minimal
B) minimal; maximal
C) maximal; maximal
D) maximal; minimal
Answer: B
Page Ref: 167
Difficulty: Easy
LO: 6-3

78) Which of the following is an advantage of a matrix structure?
A) increased organizational flexibility
B) clearly defined hierarchy of authority
C) lack of role ambiguity and role conflict
D) lack of movement of employees from team to team
Answer: A
Page Ref: 167
Difficulty: Moderate
LO: 6-3

79) In which of the following organizational structures do employees move between teams?
A) product team structure
B) matrix structure
C) functional structure
D) bureaucratic structure
Answer: B
Page Ref: 167
Difficulty: Easy
LO: 6-3

80) Which of the following statements is true regarding a matrix structure?
A) A matrix structure has a clearly defined hierarchy of authority.
B) An organization using a matrix structure can quickly respond to changing needs of customers.
C) A matrix structure is characterized by clearly defined roles.
D) Organizations with matrix structures tend to have the tallest hierarchies.
Answer: B
Page Ref: 167
Difficulty: Moderate
LO: 6-3

81) In a ________ structure, employees have two superiors.
A) product team
B) functional
C) product divisional
D) matrix
Answer: D
Page Ref: 167
Difficulty: Easy
LO: 6-3

82) A ________ structure provides for more integration between corporate and divisional managers and between divisional managers.
A) functional
B) bureaucratic
C) multidivisional matrix
D) transactional
Answer: C
Page Ref: 168
Difficulty: Easy
LO: 6-3

83) Which of the following is a disadvantage of the matrix structure?
A) lack of concern for cost
B) possibility of a role conflict
C) decreased ability of the organization to respond quickly to changing customer needs
D) high level of differentiation between functions
Answer: B
Page Ref: 168
Difficulty: Moderate
LO: 6-3

84) A matrix structure is characterized by ________.
A) a tall hierarchy
B) low integration
C) fixed product teams
D) vague authority relationships
Answer: D
Page Ref: 168
Difficulty: Easy
LO: 6-3

85) Large complex organizations that have many divisions often simultaneously make use of many different structures; that is, they operate with a ________ structure.
A) product divisional
B) market
C) hybrid
D) beureaucratic
Answer: C
Page Ref: 170
Difficulty: Easy
LO: 6-3

86) A ________ structure is a cluster of different organizations whose actions are coordinated by contracts and agreements, rather than by a formal hierarchy of authority.
A) product divisional
B) network
C) market
D) multidivisional
Answer: B
Page Ref: 171
Difficulty: Easy
LO: 6-4

87) Moving of a value creation activity that was done inside the organization to the outside, where it is done by another company is known as ________.
A) mechanizing
B) outsourcing
C) networking
D) decentralizing
Answer: B
Page Ref: 171
Difficulty: Easy
LO: 6-4

88) Nike's product design and research function are located in Oregon and all the other production functions are outsourced to companies around the world. Nike uses a ________ structure.
A) geographic divisional
B) network
C) functional
D) product team
Answer: B
Page Ref: 171
Difficulty: Easy
LO: 6-4

89) Which of the following statements is true regarding a network organization?
A) A network structure is characterized by high production costs.
B) The organizations that use network structures have the tallest hierarchies.
C) An organization using a network structure experiences high beureaucratic costs.
D) A network structure allows an organization to act in an organic way.
Answer: D
Page Ref: 172
Difficulty: Moderate
LO: 6-4

90) Which of the following is a typical characteristic of a boundaryless organization?
A) presence of tall organizational hierarchy
B) use of electronic means to connect people
C) use of a functional structure
D) lack of organizational flexibility
Answer: B
Page Ref: 172
Difficulty: Moderate
LO: 6-4

91) What are the advantages of a functional structure?
Answer: A functional structure is a design that groups people into separate functions or departments because they share common skills and expertise because they make use of the same resources.
The advantages of a functional structure are:
1. It provides people with the opportunity to learn from one another and become more specialized and productive.
2. People who are grouped together by common skills can supervise one another and control one another's behavior.
3. People in a function who work closely with one another over extended time periods develop norms and values that allow them to become more effective at what they do.
Page Ref: 149,150
Difficulty: Easy
LO: 6-1

92) Describe the various control problems that emerge in a functional structure.
Answer: The various control problems that emerge in a functional structure are:
1. As more organizational functions develop, each with its own hierarchy, they become increasingly distant from one another. They develop different subunit orientations that cause communication problems.
2. As organizations grow and the number and complexity of their functions and products increases, the information needed to measure the contribution of any one function or product to overall profitability is often difficult to obtain.
3. As a company grows, it may need to set up shop and establish manufacturing or sales facilities in different geographic regions to serve customers better. Geographic spread can pose a control problem within a functional structure when centralized control from one geographic location prevents this from happening.
4. As the range and quality of an organization's products increases, more and more customers are attracted to the organization and they have different kinds of needs. Servicing the needs of new kinds of customer groups and tailoring products to suit them are relatively difficult in a functional structure.
5. As an organization becomes more complex, top managers may be forced to spend so much time finding solutions to everyday coordination problems that they have no time to address the longer-term strategic problems facing the company.
Page Ref: 151
Difficulty: Moderate
LO: 6-1

93) What are the different types of divisional structures?
Answer: A divisional structure groups functions according to the specific demands of products, markets, or customers. The different types of divisional structures are:
1. Product structure: If an organization is facing a control problem due to the number and complexity of products, the organization divides its activities by product and uses a product structure.
2. Geographic structure: If the control problem is due to the number of locations in which the organization produces and sells its products, the organization divides its activities by region and uses a geographic structure.
3. Market structure: If the control problem is due to the need to service a large number of different customer groups, the organization divides its activities by customer group and uses a market structure.
Page Ref: 154
Difficulty: Easy
LO: 6-1

94) What are the three different types of product structures?
Answer: A product structure is a divisional structure in which products (goods or services) are grouped into separate divisions, according to their similarities or differences, to increase control. The three different types of product structures are:
1. Product division structure: An organization whose products are broadly similar and aimed at the same market will choose to centralize support services and use a product division structure.
2. Multidivisional structure: An organization whose products are very different and that operates in several different markets or industries will choose a multidivisional structure.
3. Product team structure: An organization whose products are very complex technologically or whose characteristics change rapidly to suit changing customer needs will choose a product team structure.
Page Ref: 154
Difficulty: Easy
LO: 6-1

95) What are the advantages of a multidivisional structure?
Answer: The advantages of a multidivisional structure are:
1. Increased organizational effectiveness: A division of labor generally increases organizational effectiveness. In a multidivisional structure there is a clear division of labor between corporate and divisional managers.
2. Increased control: Corporate managers monitor the performance of divisional managers. The extra control provided by the corporate office encourages the stronger pursuit of internal organizational efficiency by divisional managers.
3. Profitable growth: When each division is its own profit center—that is, when its individual profitability can be clearly evaluated—corporate headquarters can identify the divisions in which an investment of capital will yield the highest returns. Thus corporate executives can make better capital resource allocation decisions to promote corporate growth.
4. Internal labor market: The most able divisional managers are promoted to become corporate managers. Thus divisional managers have an incentive to perform well because superior performance results in promotion to high office.
Page Ref: 160
Difficulty: Easy
LO: 6-2

96) Describe the characteristics of a product team structure.
Answer: A product team structure is a cross between the product division structure, in which the support functions are centralized, and the multidivisional structure, in which each division has its own support functions.

In a product team structure, specialists from the support functions are combined into product development teams that specialize in the needs of a particular kind of product. The product teams focus on the needs of one product (or client) or a few related products, and they owe their allegiance not to their functions but to the product team they join.

A product team structure is more decentralized than a functional structure or a product division structure, and specialists in the various product teams are permitted to make on-the-spot decisions, particularly important in service organizations.
Page Ref: 161,162
Difficulty: Moderate
LO: 6-2

97) Differentiate between matrix structure and product team structure.
Answer: Both matrix structure and product team structure make use of teams to coordinate activities, but they differ in two major respects. First, team members in a product team structure have only one boss: the product team manager. Team members in a matrix structure have two bosses—the product manager and the functional manager—and thus divided loyalty. They must juggle the conflicting demands of the function and the product.

Second, in the matrix structure, team membership is not fixed. Team members move from team to team, to where their skills are most needed.
Page Ref: 167
Difficulty: Moderate
LO: 6-3

98) What are the disadvantages of a matrix structure?
Answer: The disadvantages of a matrix structure are:
1. A matrix lacks the advantages of bureaucratic structure. With a flat hierarchy and few rules and SOPs, the matrix lacks a control structure that allows employees to develop stable expectations of each other. As a result, a matrix structure can produce role ambiguity and role conflict.
2. The lack of a clearly defined hierarchy of authority can lead to conflict between functions and product teams over the use of resources.
3. People who work in a matrix often complain about high levels of stress and uncertainty. Over time, people in a matrix structure are likely to experience a vacuum of authority and responsibility and move to create their own informal organization to provide them with some sense of structure and stability.
Page Ref: 167,168
Difficulty: Moderate
LO: 6-3

99) Describe the advantages of a network structure.
Answer: A network structure is a cluster of different organizations whose actions are coordinated by contracts and agreements, rather than by a formal hierarchy of authority.
The advantages of a network structure are:
1. To the degree that an organization can find a network partner that can perform a specific functional activity reliably, and at a lower cost, production costs are reduced.
2. To the degree that an organization contracts with other organizations to perform specific value-creation activities, it avoids the high bureaucratic costs of operating a complex organizational structure.
3. A network structure allows an organization to act in an organic way.
4. If the network partners of an organization fail to perform up to the desired standards, they can be replaced with new partners.
Page Ref: 171, 172
Difficulty: Moderate
LO: 6-4

100) Describe the characteristics of a boundaryless organization.
Answer: A boundaryless organization is composed of people who are linked by computers, faxes, CAD systems, and video teleconferencing, and they may rarely or ever see one another face to face. People come and go as their services are needed, much as in a matrix structure, but they are not formal members of an organization. They are independent functional experts who form an alliance with an organization, fulfill their contractual obligations, and then move on to the next project.
Page Ref: 172
Difficulty: Easy
LO: 6-4